



# THE BANKS AND THE C.I.A. CASH

# CARRY

**How Agency  
rogues fleeced  
financial  
institutions  
to help  
create one of  
the greatest  
scandals  
in U.S. history.**

BY PAUL MUOLO  
AND STEPHEN PIZZO

When a sheriff asked legendary bank robber Willie Sutton why he kept robbing banks, his answer was to the point: "Because that's where the money is," he snapped.

For the Central Intelligence Agency,

PAINTING BY  
JOE AND KATHY HEINER

"where the money is" had always meant a sometimes stingy and timid Congress. But some of that changed in 1982, when federally insured banks and savings and loans were deregulated and the C.I.A. learned that Willie Sutton had been right all along.

This exclusive investigation, by the coauthors of the *New York Times* best-seller *Inside Job: The Looting of America's Savings and Loans* (McGraw-Hill), reveals how freelance C.I.A. operatives—in the course of carrying out covert operations—fleeced America's financial institutions.

- The owner of a freight airline that shipped guns to the Middle East and Central America kept the operation afloat with loans from a bank at which he was a director. The loans were never repaid and the bank has since failed.

- A Baltimore banker finds himself servicing a C.I.A. front company and arranging over \$20 million in arms deals before being hung out to dry by the agency.

- Acting as a middleman for arms shipments to Afghanistan, Iran and Iraq, and Central America, a C.I.A. contract pilot helped bilk a Denver bank out of more than \$2 million.

To understand why the C.I.A.'s rogue operatives preyed on financial institutions, it's necessary to go back to the days before deregulation, back to Jimmy Carter's insistence that the C.I.A. sweep the "cowboys"—the troublesome covert-operations officers—from its ranks. The C.I.A.'s job, Carter believed, was to collect intelligence, not assassinate people and orchestrate coups. Finding themselves on the outside, the cowboys kept in touch with the handful of covert officers left at the C.I.A. Together they quietly kept the agency's covert operations alive. "The covert people at the agency simply cut the President, C.I.A. Director [Stansfield] Turner, and the N.S.C. [National Security Council] out of the loop," said Gary Sick, Carter's national security adviser for Iranian affairs.

When Ronald Reagan was inaugurated in 1981, his C.I.A. director, William Casey, wanted to reinvigorate covert operations. But rather than bring back the cowboys, he left the underground network in place—in order to save himself a lot of headaches with Congress. After all, he needed to get guns to the Afghan rebels, he needed to contain Communism in Central

America, and the Iran-Iraq war—which suited the U.S. and Israel just fine—deserved plenty of discreet support and encouragement. The independent covert network could be very useful, but it had one big problem: money. Casey could not fund their activities out of the C.I.A. budget without going to Congress, so the cowboys had to cover their own operating expenses. The funding challenge resolved itself in 1982 when the sluice gates opened on the banking industry.

Ronald Reagan had promised to get government regulators off the back of American business, and that October he made good on his promise by signing the Garn-St. Germain Act into law, which deregulated the nation's savings and loans. Deregulation meant fewer regulators to patrol these institutions. In addition, a clear message went out to banking regulators that this administration wanted financial institutions cut loose from their old stodgy, traditional, government-imposed ways. Instead, financial institutions should be allowed more room to wheel, with less interference from federal examiners.

Deregulation gutted the ranks of both federal and state bank and thrift reg-

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## WHO'S SPOOKIN' WHO? A Cast of Characters

**Farhad Azima:** Iranian-American; ran Global International Airways Corporation; involved in arms shipments with C.I.A. rogue Edwin Wilson; borrowed nearly \$1 million from failed Indian Springs State Bank in Kansas City, Kansas, to fund Global's operations; later showed up in the Iran-contra affair.

**Richard Brenneke:** Says he was approached nearly 20 years ago by the C.I.A. while he was teaching philosophy at Saint John's University in New York; left and started his own investment firm specializing in offshore investments; claims to have participated in an October 1980 meeting between Reagan-Bush campaign officials and Iranian officials at which the Iranians were offered a \$40 million bribe to hold the American hostages until after the election.

**Everett Lemaster:** President of Indian Springs State Bank; killed in a car crash after he tried to comply with regulators' instructions to rid the bank's books of loans to both Global and organized-crime figures.

**Robert Maxwell:** Former executive of First National Bank of Maryland who was asked by his employer to arrange the financing for arms shipments through a C.I.A. front com-

pany called Associated Traders Corporation. A soft-spoken family man, Maxwell agreed to take the account for the bank but soon discovered that the arms deals were probably illegal. When Maxwell demanded that the bank take his name off the account, he charged in a lawsuit, he was threatened by bank officers.

**Lloyd Monroe:** Former assistant U.S. attorney in Kansas City, Kansas, who complains he was told by the C.I.A. to drop his investigation of Farhad Azima's Indian Springs State Bank loans.

**John Napoli, Jr.:** East Coast mob associate of the New York Genovese family; worked with Heinrich Rupp in a scheme to relieve Aurora Bank of some \$2 million. (Napoli was never charged in the caper.)

**Mario Renda:** East Coast money broker who placed large sums of Teamsters pension-fund money into Indian Springs State Bank as brokered deposits; an associate of Saudi arms dealer Adnan Khashoggi. Renda is currently serving a five-year prison term for three convictions, two involving the fleecing of Indian Springs State Bank and Florida Center Bank in Orlando (which Renda looted with Mike Rapp). The third charge involves the bribing of pension-fund officials.

**Heinrich Rupp:** Resident of Aurora, Colorado; ran a precious-metals business and flew for a number of charter and freight airlines; has bragged that he was one of Hitler's youngest fighter pilots at the age of 14; claims that after the war he was asked to work for U.S. intelligence. (Since then, he says, he has flown for the C.I.A. in most of the world's hot spots, including Laos, Vietnam, Beirut, and Central America. The agency admits he was trained in 1966 at a C.I.A. proprietary airline, but denies that he ever worked for the agency.) Rupp was convicted in 1988 of defrauding Aurora Bank of \$2 million.

**Anthony Russo:** Kansas City attorney who represented Civella-family members until he himself was convicted in the early 1970s; became an officer at Indian Springs State Bank and a consultant for Global Airways.

**Edwin Wilson:** Former C.I.A. agent turned arms dealer; his company contracted with Azima's Indian Springs-supported Global International Airways to fly military equipment to Egypt. Wilson is now serving a 57-year sentence for selling arms and explosives to Libya and for attempting to hire assassins to murder witnesses and prosecutors involved in the cases.

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ulators, and those who were left found it increasingly difficult to report irregularities without becoming the target of pressure and ridicule from superiors who didn't want to get out of step with the party line.

The result of deregulation was predictable: billions of federally insured dollars vanished from banks and thrifts. Mobsters, con men, and sleazy businessmen hauled it off day and night. They weren't the only ones, however, to see the potential in this regulatory laxity. Even more ominous, it now appears that the C.I.A.'s stable of freelance operatives also took full advantage of the situation, using federally insured bank and thrift money to fund politically unpopular covert activities.

## THE LITTLE BANK THAT COULD

On September 23, 1988, self-described former Nazi Heinrich (Harry to his friends) Rupp, 58, faced sentencing before Denver federal Judge Jim R. Carrigan. Rupp could have received a 42-year sentence for a stolen-currency scam that cost the Aurora Bank of Denver over \$3 million. The judge had heard testimony detailing Rupp's involvement with a cast of seedy characters, including East Coast mobster John Napoli, Jr., in a scheme to buy \$9 million in stolen currency with \$2 million in loans from Aurora. Needless to say, the \$2 million disappeared and Rupp's several Swiss bank accounts were empty when investigators got to them.

Just as Judge Carrigan was about to pass sentence, defense attorney Michael Scott stepped forward. "Your Honor, I have a special witness I'd like the court to hear in chambers." A few minutes later, special witness Richard Brenneke, a businessman from Lake Oswego, Oregon, was telling Judge Carrigan a story only a nut, a spy novelist, or a spy could conjure up. Brenneke told the judge that he was with the C.I.A. and that Rupp was, too.

Brenneke said that he and Rupp had conducted covert operations and flown planes for the C.I.A. for the previous 18 years. What's more, Rupp's involvement with Aurora wasn't what it appeared: Rupp was the victim of a C.I.A. plot to discredit him because he knew too much, particularly about the C.I.A.'s contra and Iranian arms deals and how they were financed. The C.I.A., he claimed, had sanctioned a widespread program whereby its operatives pulled money out of federally insured financial institutions to fund covert activities, particularly arms deals.

Then Brenneke explained to Judge Carrigan that certain people in Washington were nervous about Rupp's case because Rupp supposedly had flown

future C.I.A. director William Casey to a series of secret meetings in Paris in October 1980—one month before the presidential election. Attending the meetings, Brenneke claimed, were vice-presidential candidate George Bush, Bush aide Donald Gregg, and the campaign's senior foreign policy adviser Richard Allen. Brenneke, who said that he had attended one of the meetings, told the court that Casey, Gregg, and three other Americans met with Iranian officials and offered them \$40 million if they agreed *not* to release the 52 American hostages being held in the American embassy in Tehran until after the election. The money was to be used by Iran to purchase arms.

Rupp sat tight-lipped throughout Brenneke's testimony. He would confirm only that he "was in the process of departing from the agency as a contractor" when he became involved in the bank deal. After a psychiatric eval-

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uation that showed Rupp to be a sane and "truthful person," Judge Carrigan sentenced Rupp to 18 months in prison and six months at a halfway house. Attorney Mike Scott says that he's seen enough to convince him. "The C.I.A. was obviously raiding banks because they couldn't get the money from Congress," he explained.

Scott also confirmed that Rupp was a loyal C.I.A. contractor who flew scores of secret missions: "Hell, he even flew mules to Afghanistan." Rupp was, in fact, at the very center of America's covert-arms agenda. Telexes addressed to Rupp's now defunct Colorado company, Avconsult International, Inc., read like multimillion-dollar shopping lists of death and destruction:

*Attn. H. Von Rupp  
Re: Your offer via FUAD*

*Inform you that we have already fixed the appointment with Irakies [sic] at Wednesday this week. . . . Pls carry all avail docs with you to convince buyers abt yr merchandise. You will deal with direct govt people here in Geneva.*

*On the other customer, pls send yr*

*offer immed to buying authorities, since they are anxious. . . . Offer addressed by tlx to: TROFLOC Tehran/Iran*

Another dated 1982 reads:

*1. Have order from Iraq for 300,000 rounds and from Iran for 100,000 rounds. Is end user of this countries [sic] accepted?*

*2. Can goods be marked with an Eastern Bloc manufacturer's mark?*

Months after the Rupp trial, the C.I.A. admitted that Rupp had received pilot training in 1966 at a C.I.A. proprietary airline, Intermountain Aviation, Inc., in Arizona. But did the agency know what Rupp was up to at the Aurora Bank? Former C.I.A. agent David MacMichael believes that agency officials might have been aware that their contractors were bilking financial institutions. The agency would not have acted, he said, because it would have wanted "to continue to use these people and didn't want to draw attention to them." Another retired C.I.A. agent, a former cowboy who spoke on the condition that his name not be used, told *Penthouse* it was entirely possible that the agency knew how its contractors were funding their missions: "I will not dismiss the charge that operations could have been funded by looting S & Ls if it paid for contra operations." Peter Earnest, a C.I.A. spokesman, will only say that the agency "does not break the law" and dismisses all allegations that it was involved in bank or S & L scams.

But *Penthouse* unearthed a number of bank and S & L failures that involved individuals who claimed C.I.A. affiliation, and several who denied it, even in the face of convincing evidence to the contrary.

When Oliver North's personal desk diaries were declassified and released earlier this year, we discovered a familiar name: Joe Kelso, whom *Penthouse* had met in the course of researching Heinrich Rupp. Kelso told us that he was in lots of trouble with the feds in Denver for violating parole. In 1983 Kelso had gotten caught in a Customs sting operation trying to sell ground-to-air missiles. He says that he was simply doing his job: keeping an eye on Rupp for the C.I.A. Nevertheless, he was found guilty and put on probation. Kelso promptly left the country (in violation of his probation) and spent the next three years in Europe and Costa Rica, he says, working for the agency. U.S. Customs confirmed that Kelso had worked from time to time as an informant for them. He was apparently important enough to earn an honorable mention in North's universe as well.

On August 26, 1986, North had scribbled, "1310—Call from Rob O. Re: Kelso . . ." Under the note North had

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written the names and phone numbers of an assistant U.S. attorney, Bruce Black, and a U.S. Customs officer, both in Denver. Kelso served only a few months for the parole violation. Today, Kelso says he still does occasional work for the "intelligence community."

## GLOBAL AIRWAYS AND INDIAN SPRINGS STATE BANK

In 1982 Global International Airways Corporation had a fleet of 14 jetliners and a crew of swashbuckling pilots who regaled one another with hair-raising stories of shadowy flights to remote airstrips in Central America and being paid with briefcases full of cash. On one such flight, crates marked with Red Cross stickers were opened by Costa Rican officials and found to contain 75-mm Chinese-made machine guns. Another shipment was simply marked "cabbages." The pilot who told the story laughed: "Right, cabbage and cabbage launchers."

Global was owned by Farhad Azima, an Iranian-born naturalized American. Azima began his airline in 1978 flying cattle to his former homeland, where his family had had close ties to the shah. But soon after setting up shop, Global was flying shipments for notorious C.I.A. rogue Edwin Wilson and his company, Egyptian-American Transport and Services Corporation (Eatsco). (That company's other associates included Thomas Clines, Ted Shackley, and Major General Richard Secord, who would each later play a starring role in the Iran-contra affair.) Eatsco hired Global to fly millions of dollars' worth of arms to Egypt after the Camp David accords were signed. (Another Eatsco founder, a former Egyptian military intelligence official named Hussein Salem, was later sentenced for overcharging the State Department by \$8 million for the shipments and using the money to fund secret arms deals, some of them with Libya.) Wilson is serving a total sentence of 57 years for selling arms and explosives to Libya and for attempting to hire assassins to murder witnesses and prosecutors in these cases.

The Eatsco contract earned Global about \$100,000 per flight, and after Wilson's indictment Global had to find a new way to keep itself in business. That's when Azima showed up at the Indian Springs State Bank in Kansas City, Kansas. Indian Springs was a whore of a bank; money flowed out of its coffers into the pockets of a long list of mobsters and swindlers. One of the bank's chief officers, Anthony Russo, was a former attorney who had represented members of the Kansas City Civella mob family. Russo voluntarily relinquished his license in 1974 when

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he was convicted of conspiracy to promote bribery and prostitution. In 1981 he was a vice-president at Indian Springs. His job was to bring new business into the bank. "Tony could do it," a former bank official later recalled. "He'd tell someone to move their accounts to the bank and they'd do it."

The Civellas weren't the only notable recipients of loans; Farhad Azima also came to Indian Springs to borrow money. In addition, Azima was promptly appointed by the bank's president, Everett Lemaster, to Indian Springs's board of directors. Russo, in turn, became a paid "consultant" to Global.

Some of Indian Springs's money, which funded Global's planes, came from New York deposit broker Mario Renda, who poured tens of millions of dollars in union-pension-fund money (much of it from the Teamsters) into Indian Springs. An F.B.I. informant told law-enforcement authorities that Renda bragged about having worked with the late New York mob boss Paul Castellano. Renda was also an associate of Saudi arms dealer Adnan Khashoggi. (Renda was running his own multimillion-dollar scam at the bank for which he later went to jail.)

When federal banking regulators finally caught up with Indian Springs, they told Lemaster that unless he fired Russo and cleaned up the bank, they'd

close it down. Lemaster complied and told everyone that the jig was up—Russo had to go; Global and the others had to repay their loans. A few days later, Lemaster died in a fiery car crash. Investigators ruled out the possibility of an accident and there was no indication that it was suicide. The cause of the crash has yet to be determined.

After Lemaster's death, regulators seized Indian Springs State Bank. Global then defaulted on its loans and filed for bankruptcy. Russo was indicted for tax evasion, having failed to report \$25,000 he'd received from Global. He explained in court that Global had been hired by the C.I.A. to fly Samuel Doe, at the time the new president of Liberia, on an around-the-world goodwill tour and Azima had asked him to be Doe's personal companion on the trip.

Russo was tried on the tax charge twice, both trials resulting in a hung jury. The charges were dismissed and the prosecutor in the case complained that Russo's use of the C.I.A.'s sensitive diplomatic agenda in his defense earned him more credibility with the juries than he deserved. Piling up more impressive details, Azima's testimony had to be postponed because he was scheduled to attend a dinner in Washington for major Republican donors.

The C.I.A. was more directly helpful

to Azima when his own activities came under scrutiny. Shortly after then assistant U.S. attorney in Kansas City, Lloyd Monroe, opened an investigation into Azima's Indian Springs loans, the F.B.I. agents assigned to the case reported back to him that they'd been waved off by a higher authority: "Representatives of the C.I.A. confronted my agents and told them that Azima was off limits. They told the agents to tell me that Azima had been doing work for them and had a 'get out of jail free' card." Monroe dropped the investigation.

When Global filed for bankruptcy, it listed \$15 million in debts, including almost \$1 million owed to Indian Springs and \$367,000 to the Department of Defense. Even so, just days earlier Azima had made a flurry of last-minute campaign contributions, mostly to Republican candidates, including the "President's Dinner Committee."

Indian Springs wasn't the only financial institution to be left with an outstanding loan to an Azima airline. According to Federal Aviation Administration records, the now failed Republic Bank of Kansas City, Missouri, also lent money that had been secured by Azima's old 707 aircraft, as did Utica National Bank and Trust Company of Tulsa, which lent more than \$6 million to another Azima company, Aviation Leasing Corporation. Utica

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failed in 1989. F.A.A. records show that Utica's loans to Azima were insufficiently collateralized. *The Houston Post* revealed earlier this year that the Sunbelt Savings and Loan of Dallas, Texas, was helped along the way to insolvency by a Global supplier, California-based Response Air, which kept itself in business with a \$19.5 million Sunbelt loan that was never repaid. (The collapse of Sunbelt Savings will cost taxpayers more than \$1.5 billion.)

After walking away from his Indian Springs loans, Azima turned his attention to a new airline, Race Airways, which he claims was owned by his brother. Iran-contra investigators believe it was a Race 707 that delivered 23 tons of arms, including TOW missiles, to Iran as part of the secret arms-for-hostages deal. When the Iran-contra scandal broke, Azima slipped off to London, where he now lives. But he didn't lose his appetite for freight airlines. In February 1989 he purchased Buffalo Airways, a small cargo company based in Waco, Texas. Buffalo Airways had been in trouble since its incorporator, Dallas attorney Wordy Jack Thompson, was convicted in 1986 for receiving fraudulent loans from Empire Savings of Mesquite, Texas. Empire failed in 1984 at a loss to taxpayers of over \$400 million.

*Houston Post* reporter Pete Brewton discovered that Thompson had also incorporated Global Jet Sales, which did a lot of business with Response Air and another company called Parmax. Former Pentagon investigator Gene Wheaton told Brewton that he had tracked several C-130 aircraft with ties to these three companies to the Medellín drug cartel as well as to the Drug Enforcement Agency and the C.I.A.

Finding Rupp's and Azima's operations sucking sustenance from two federally insured financial institutions that were about to fail could have been written off as just a coincidence, but we kept running into almost identical circumstances at other banks and thrifts: a bunch of shady characters, some with ties to organized crime as well as the C.I.A., pulling multimillion-dollar frauds. The money always disappeared, the institution almost always failed, and the C.I.A. didn't want anyone asking why.

When we looked into the failure of San Marino Savings and Loan in Southern California (cost to the taxpayers—\$400 million), we found a multimillion-dollar borrower-defaulter who had been working with members of the Los Angeles mob in an abortive contra arms deal. The plan was to send sub-machine guns to an Indian reservation near Palm Springs and use the reservation's status as a sovereign nation as

a cover. Richard Alvarez, a reservation adviser, objected to the arms deal. A few days later, he and two friends were found murdered in their beds. The murders were never solved. Homicide investigators told us that they ran into a wall of C.I.A., N.S.C., and F.B.I. agents.

At Flushing Federal Savings and Loan in Queens, New York, mob associate Mike Rapp, a graduate of the Federal Witness Protection Program, was using his new identity to extract millions. One of Rapp's lieutenants in the scheme bragged openly that he worked for the C.I.A. and made regular trips to Switzerland for Rapp. Also at Flushing—and working with New York money broker Mario Renda—was an attorney who, the C.I.A. has admitted, performed contract work for the agency in the 1960s. Investigators say that he was suspected of laundering large sums of cash through Flushing Savings for highly placed Haitian military offi-

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cers who later played a key role in the overthrow of Baby Doc Duvalier.

Pete Brewton found similar patterns at other institutions, and sometimes ran into the same people. After a year-long investigation, he found evidence that 22 savings and loans—16 of them in Texas—had been looted by individuals with ties to the C.I.A. or the mob—and more often than not, to both. Together the losses reach into the hundreds of millions of dollars.

The Christic Institute, a multi-faith, nonprofit organization based in Washington, D.C., is suing the C.I.A. and a long list of its alleged subcontractors for what the organization claims were illegal covert activities. (The institute's suit was dismissed with sanctions by a federal judge and the organization is now appealing.) The group's leader, attorney Dan Sheehan, told *Penthouse* that he speculates that defrauding federally insured financial institutions was one of the key ways in which the agency was funding its more controversial covert operations. Sheehan said that the agency used "linked financing schemes" to defraud banks and thrifts.

Large deposits were placed at targeted institutions and management was instructed how and to whom the money was to be lent. The deposits, of course, were federally insured, so when the loans were not repaid, the deposits were not lost and could be used over again for another operation.

It sounds simple enough, but each time we tried to get our arms around one of these deals we found ourselves saddled with the usual sleazy, unreliable sources. Their stories always had to be weighed against the possibility that they were just trying to explain why they'd been caught in the vault. One case, however, was a notable exception. In this instance, the agency strayed from its usual personality type and dragged an average, unwitting civilian into its scam.

Robert Maxwell, a banker in his mid-thirties, had just joined the First National Bank of Maryland in Baltimore as manager of the credit department for international banking. During his first week on the job, in 1983, a senior official at the bank asked Maxwell if he would handle the account of Associated Traders Corporation. A.T.C. was a C.I.A. front company, Maxwell was told, and the company needed certain bank services. Maxwell agreed to take the account and was cleared by the agency.

Over the next two years, Maxwell helped Associated Traders set up a complicated money trail through which the agency financed about \$20 million in arms shipments to Central America, Angola, and Afghanistan. As the deals got more complex, Maxwell began to get nervous. He suspected that the transactions did not have State Department approval and therefore might be illegal. Maxwell was also anxious about the fact that one of the bank officers had arranged for only his name to be on the documentation. "The way the deals were being handled, it appeared as though I was working for Associated Traders," Maxwell told us. "And that wasn't the case at all."

Maxwell asked that his name be taken off the accounts. He also explained to his supervisors why he thought the A.T.C. deals were illegal. Then, Maxwell charged, bank officials began a program of harassment. This only heightened his suspicions and he demanded that the bank provide written authorization for transactions already completed. He was ignored. Maxwell said that then he began getting threatening messages from certain bank officers and he feared for his and his family's safety.

In August 1985 Maxwell resigned. A few weeks later, he had a nervous breakdown. When he recovered, he went looking for a lawyer, but no one would touch the case. Everyone thought he was crazy. Then syndicated col-

umnist Jack Anderson exposed Associated Traders as a C.I.A. front. The company immediately folded its tent and dissolved. Maxwell found a lawyer and has filed a \$4 million civil suit against the bank, the C.I.A., and Associated Traders.

Both the C.I.A. and bank officials have refused to comment on the case. Maxwell is now a bartender in Pennsylvania, where he lives quietly with his wife and children. "It is very clear he will never go back into banking," says his attorney.

Deregulation of financial institutions during the 1980s created enough havoc and confusion to cover for just about any kind of scam. The Justice Department now estimates that drug dealers alone were probably able to safely launder billions of dollars through savings and loans completely undetected. And when the C.I.A. wanted to run guns or have money laundered or stolen, they turned to the kind of people who do such things for a living—psychopaths, crooks, and the mob. Wasn't that risky? Not really. In fact, though it may have resulted in some "spoilage" (money stolen from the operation by the contractor), it actually lessened the chance of "blow-back"—agency exposure. The reason is creditability, or more to the point, lack of creditability. Heinrich Rupp, for example, was a truly "incredible" guy. The agency had to have known he was pulling a \$2 million scam at Aurora Bank. Yet they did nothing. Letting Rupp get caught and prosecuted as a common thief finished his agency career. His tall tales of being a Nazi fighter pilot at age 14 and his habit of flashing gold bars and wads of cash around like a fool helped, too.

"The agency likes things that way," a retired C.I.A. covert-operations officer told *Penthouse*. "Yeah, the wilder and crazier and sillier the story, the more they like it. The agency indulges people to come up with that. It's the best defense."

Would the C.I.A. look the other way if it knew one of its contractors was doing something illegal? we asked another former C.I.A. covert officer. "The C.I.A. would not only want to continue to use their services, but they would not want to bring attention to that person," he told us. "They would want to keep it out of the public. They may want to use that person again." Former C.I.A. agent David MacMichael agrees. "Sometimes these individuals were handling deposits on a covert basis, they could assume a degree of immunity that allowed them to act with more than the ordinary degree of fecklessness." MacMichael said that once a contractor is on board, the agency actually allows them to get into a position of committing an illegal act to get them "on the hook." Then when an operation

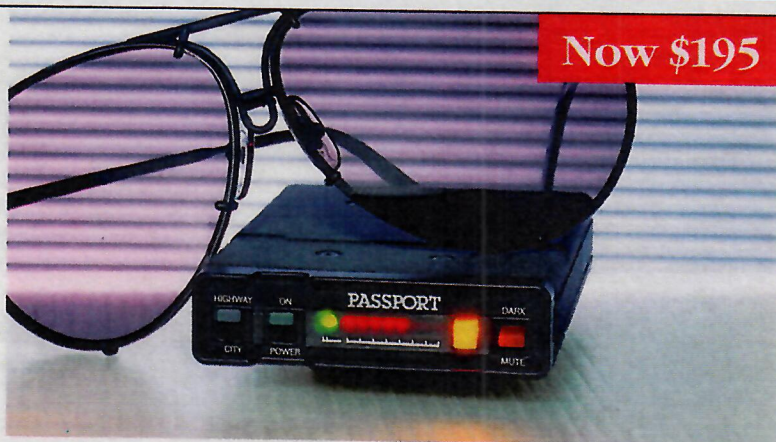
blows up, the contractor is cut loose. "When a contractor gets caught, all their 'friends' disappear. It happens over and over again," MacMichael added.

On August 1, 1989, sitting in his cell at Fort Leavenworth, Kansas, Heinrich Rupp typed a three-page letter to President George Bush. In the upper-right-hand corner, he attached a copy of his membership card for the Association of Former Intelligence Officers, issued in August 1988.

*Mr. President, I am writing you as the president and commander in chief, and as a fellow member of the Association of Former Intelligence Officers. I am greatly disturbed that my adherence to*

*the same oath which you once took have [sic] resulted in this kind of treatment. I am further appalled that I have received no kind of relief whatsoever in my case. . . . I have given all this, and nearly 30 years of service to my chosen country. . . . I am now 60 years old and languishing in a miserable pest-hole full of drug dealers and other low-life criminal scum.*

But Rupp ended his letter with reassurance to the President that if this be his fate, so be it: *For the protection of this country and the ideals which I have been sworn to uphold, my lips have been and will be sealed. I remain, yours in faithful service, Heinrich Rupp, Scorpio 688.01*



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*Car and Driver, October 1989*

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